

# TOWN OF FOUNTAIN HILLS QUARTERLY BUDGET REPORT FOR THE SIX MONTHS ENDING DECEMBER 31, 2003



## HIGHLIGHTS

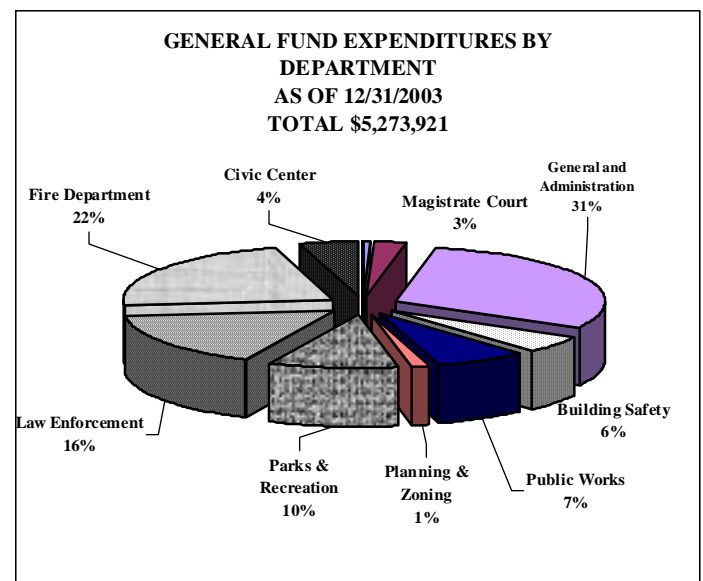
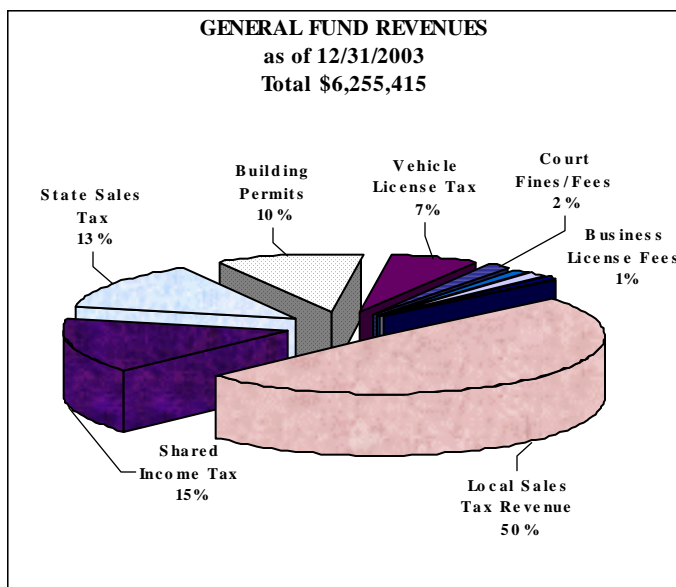
- Revenues exceeded expenditures by \$987,700 in general fund and \$326,183 in Highway User Revenue (HURF) fund, a result of a sales tax refund savings and unanticipated refund from the retirement fund
- Building permit fees on pace to exceed budget
- General fund balance as of 12/31/03 is \$5M, exceeding goal of \$4.7M; balance at 12/31/02 was \$2.5M
- General fund expenditures down 21% from prior year, primarily wages and benefits

The Town has received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the Fiscal Year 2003-2004 budget.

The lower left chart shows what percent of the total each general fund major revenue category represents. State shared revenues (state sales tax, shared income tax and vehicle license tax) and local sales tax combined represents 85% of total general fund revenue.

The chart below shows General Fund expenditures by department for the first half of Fiscal Year 2003-2004.

Administration department includes all non-departmental expenditures (rent, utilities, liability insurance, legal fees, professional fees, etc.)



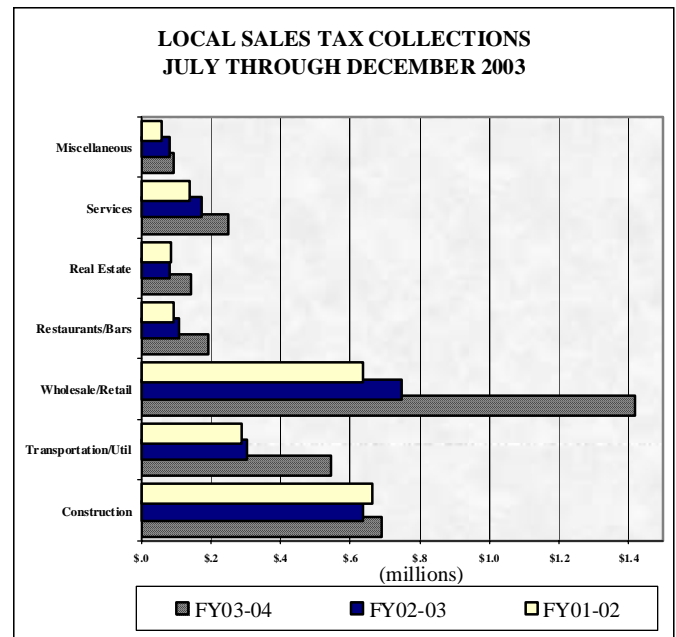
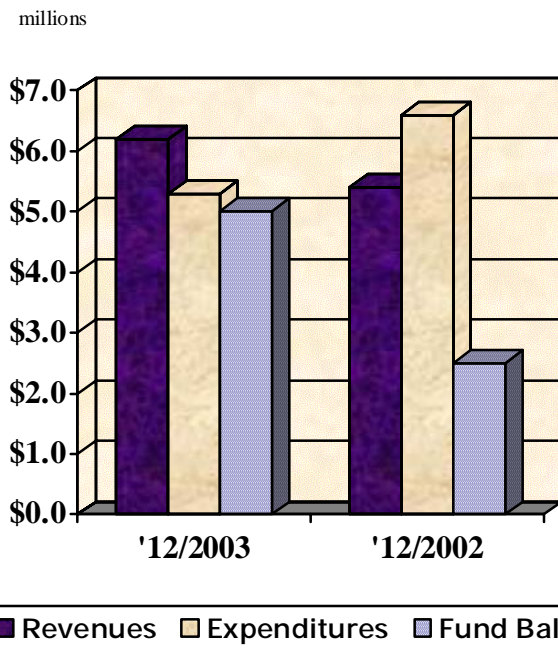
### Top Five Revenue Sources – General Fund

	6 Month Budget	6 Month Year to Date	% to Six Month Budget	Over/(Under)
Local Sales Tax	\$3,229,647	\$2,952,767	91.4%	(\$276,880)
State Income Tax	\$913,158	\$912,517	100.0%	\$641
State Sales Tax	\$787,500	\$808,804	102.7%	\$9,891
Building Permits	\$384,625	\$625,051	162.5%	\$240,426
Vehicle License	\$380,411	\$398,698	104.8%	\$18,287

The five selected key revenues in the table above account for 91% of the total General Fund revenues, and as such provide key indicators of the Town's overall economic condition and performance. Local sales tax receipts are normally higher during second half of fiscal year; it is anticipated that 100% of the annual budget will be met.

### General Fund Two Year Comparison

	Dec. FY03-04	Dec. FY02-03
Revenues	\$6.2M	\$5.4M
Expenditures	\$5.3M	\$6.6M
Revenues vs expenditures	\$0.9M	(\$1.2M)
Fund Balance	\$5.0M	\$2.5M



Construction, transportation/utilities and retail account activity for 80% of the total local tax collected; a comparison of the first half of the past three years' collections is shown in the chart above. The increase in retail sales tax from FY02-03 reflects increased retail activity at the Four Peaks Plaza Center.

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### General Fund Balance

	<u>Per Policy</u>	<u>YTD 12/31/03</u>
Undesignated Unreserved	\$1,022,750	\$1,337,369
Designated Unreserved	\$1,230,675	\$1,230,675
Reserved	<u>\$2,461,350</u>	<u>\$2,461,350</u>
Total	\$4,714,775	\$5,029,394

The Town has adopted financial policies that establish a level of reserves (fund balance) that provide future financial stability for the Town. The policy requires that the Town set aside undesignated reserves in an amount equal to 30 days annual operating expenditures, designated unreserved funds of a minimum 10% of average revenues and reserved funds of 20% of average revenues.

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### Building permits and related activity

Permit revenue = 162% of six month budget

	FY03-04 Budget	1 <sup>st</sup> six months FY03-04	1 <sup>st</sup> six months FY02-03
Single Family	125	70	57
Multi Family	175	96	80
Commercial	10	8	6
Permit Fees	\$769,250	\$625,051	\$492,091

### General Fund Expenditures – Two Year Comparison

The table below compares the first six months of the current fiscal year with the first six months of the prior fiscal year by category as well as the difference between the two fiscal years.

<u>Category</u>	<u>Actual Period Ending 12/31/2003</u>	<u>FY03-04 Budget</u>	<u>Actual Period Ending 12/31/2002</u>	<u>FY02-03 Budget</u>	<u>Under/(Over) Prior Fiscal Year Actual</u>
Wages/Benefits	\$1,475,112	\$1,760,997	\$2,301,511	\$2,508,867	\$826,399
Contractual Services	\$2,701,425	\$2,840,764	\$2,400,529	\$2,525,450	(\$300,896)
Repairs/Maintenance	\$248,633	\$381,576	\$391,657	\$467,263	\$143,024
Supplies/Services	\$828,742	\$808,290	\$989,103	\$949,080	\$160,361
Capital	\$12,965	\$265,325	\$3,250	\$97,000	(\$9,715)
Transfers	\$7,044	\$25,000	\$547,882	\$561,250	\$540,838
Totals	\$5,273,921	\$6,081,951	\$6,633,932	\$7,108,910	\$1,360,011

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## Cash Balance

The Town of Fountain Hills maintains sufficient cash balance at the local bank in order to pay vendors and payroll obligations. Idle cash is invested with the Local Government Investment Pool (LGIP-GOV), which is invested only in government backed securities, and is available on 24 hours notice. The following is the cash on hand as of December 31, 2003:

General Fund	\$4,568,919
Development Fees	\$1,499,400
HURF	\$ 338,897
Special Revenue Fund	\$ 408,628
Debt Service	\$ 658,148
Excise Tax	\$2,173,515

## Summary

The positive variance between revenues and expenditures is a sign that the Town's financial condition is headed in the right direction. However, the Town's Aa3 bond rating remains on "negative outlook" with Moody's Investors Services and will be until the financial community is satisfied that the necessary steps have been taken to ensure long term financial stability. A significant measure of stability is the level of General Fund balance and long term financial planning.

## RESTRICTED FUNDS

### Highway User Fund (HURF)

	1st 6 Mos. <u>FY03-04</u>	1st 6 Mos. <u>FY02-03</u>
Revenues	\$0.7M	\$0.7M
Expenditures	<u>\$0.5M</u>	<u>\$0.7M</u>
Revenues vs expenditures	\$0.2M	\$0.0M
Fund Balance	\$0.5M	(\$0.0)

### Excise (Local Sales Tax) Tax Fund

	<u>Mountain Preservation</u>	<u>Downtown Development</u>
Revenues	\$211,128	\$70,376
Expenditures	<u>\$160,831</u>	<u>\$ 8,672</u>
Fund Balance 12/31/03	\$1,444,271	\$825,442

### Development Fees

Fiscal Year	Open Space	Parks & Recreation	Streets	Law Enforcement	General Government	TOTAL
FY2001	\$37,740	\$33,900	\$13,742	\$960	\$13,987	\$100,329
FY2002	\$198,023	\$176,759	\$144,761	\$10,843	\$160,338	\$690,724
FY2003	\$212,843	\$192,667	\$96,512	\$6,550	\$96,087	\$604,659
FY2004 (6 mos)	\$130,923	\$119,945	\$72,479	\$5,154	\$72,942	\$401,443
Net Collections FY01 thru FY04	\$579,529	\$523,271	\$327,494	\$23,507	\$343,354	\$1,797,155
Expenditures thru FY03	(\$14,105)	(\$80,954)	(\$16,302)	\$0	(\$185,500)	(\$296,861)
FY 04 Expenditures	<u>(\$1,335)</u>	<u>\$0</u>	<u>(\$118,062)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$119,397)</u>
Available Fees	\$564,089	\$442,317	\$193,130	\$23,507	\$157,854	\$1,380,897

The financial information contained in this report is derived from the Town's accounting records as of December 31, 2003 and is unaudited. For questions contact Julie A. Ghetti, Accounting Supervisor (480) 816-5113.